

Message Text

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ORIGIN EB-07

INFO OCT-01 EA-07 ISO-00 AGR-05 CIAE-00 COME-00 INR-07

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DRAFTED BY EB/ICD/FTD:AJWILLIAMS:CSH

APPROVED BY EB/ICD/FTD:AJWILLIAMS

USDA:GRATHELL

EA/PHL:RWILNER

USDA:KSTEPHENS (INFO)

----- 119555

P 251427Z SEP 75

FM SECSTATE WASHDC

TO AMEMBASSY MANILA PRIORITY

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E.O. 11652: N/A

TAGS: ETRD, PH

SUBJECT: COTTON CONTRACTS - YUPANGCO

REF: (A) MANILA 12594 (B) STATE 211536 (C) MANILA 13222

PASS AGATT

1. YUPANGCO INFORMED CIEC BY LETTER DATED SEPTEMBER 10
THAT MILL WAS OPENING L/C FOR 500 BALES UNDER CONTRACT CAG-
31. CIEC REPLIED BY TELEX QUOTE:

CREDITS ON OLDEST SALES MUST BE OPE'ED FIRST. AS PER
ANNEX A DEP/USA GOVERNMENT AGREEMENT COTTON ALLOCATED
PERIOD ONE CAG 439 500 CAG 440 1000 CAH 31 2000 PERIOD
TWO CAH 31 3000 PERIOD THREE CAH 31 1000 TOTAL 7500B KINDLY
REQUEST MILL OPEN CREDITS ACCORDINGLY AND CONFIRM. HAVE
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NOT RECEIVED COPY COURT SUIT FROM YOU. PLEASE EXPLAIN.

END QUOTE.

2. PRICES OF COTTON UNDER THREE CONTRACTS IN QUESTION ARE AS FOLLOWS:

CAG-439	500 BALES	71.35 CENTS
CAG-440	100 BALES	71.50 CENTS
CAG-31	6000 BALES	58.50 CENTS

YUPANGCO HAS CHOSEN TO MAKE TOKEN OFFER (L/C HAS NOT BEEN REVIEWED BY CIEC) OF L/C FOR 500 BALES OF CHEAPEST COTTON RATHER THAN OPENING ALL L/C'S, A PROPOSAL IN DIRECT CONTRAVENTION OF ASSURANCES' REQUIREMENT THAT L/C'S BE OPENED FOR OLDEST SALES FIRST.

3. FYI CIEC'S RELUCTANCE TO OPEN 500 BALES OF CAG-31 COTTON BASED IN PART ON RECENT INCREASES IN MARKET PRICE OF U.S. COTTON COUPLED WITH SHIPPER'S COMMITMENT TO PAY ALL CARRYING AND INSPECTION CHARGES. CIEC NEEDS MARGIN ON MORE EXPENSIVE COTTON TO COVER CONCESSIONS MADE TO YUPANGCO TO PERSUADE THEM TO OPEN L/C'S. END FYI

4. REQUEST EMBASSY, ONCE AGAIN, LAY PROBLEM BEFORE DBP, EMPHASIZING THAT CIEC HAS BEEN VERY FORTHCOMING PER REFTEL B WHILE YUPANGCO CONTINUES TO MANEUVER TO AVOID HONORING CONTRACTS. DBP CABLE CITED IN REFTEL A AND PARA 5 REFTEL C MENTIONED MORE STRINGENT MEASURES WOULD BE APPLIED BY DBP. HAVE ANY SUCH MEASURES BEEN TAKEN AGAINST YUPANGCO TO DATE WHICH MIGHT ASSURE OPENING OF L/C'S WITHOUT FURTHER DELAYS? KISSINGER

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